

CITY OF BEDFORD

INSTRUCTIONS FOR PREPARING MUNICIPAL NET PROFIT RETURN

GENERAL INSTRUCTIONS

FILING REQUIREMENT: Every corporation, rental property, partnership, trust or estate, whether a resident or non-resident that conducts business in Bedford must file a return and pay tax on the net profit.

WHAT CONSTITUTES NET PROFITS: Net profits shall be determined on the basis of the information used for federal income tax purposes, adjusted to the requirements of the Ordinance of Bedford. Expenses attributable to non-taxable income are not deductible, Gains and losses from the sale or exchange of capital assets to the extent recognized as capital gains or losses for federal income tax purposes, are not to be considered in arriving at net profits.

HOW TO TREAT A NET LOSS: The portion of a net operating loss sustained in any taxable year, allocable to Bedford may be applied against the portion of the profit of succeeding year(s) allocable to Bedford until exhausted but in no event for more than five (5) taxable years. No portion of a net operating loss shall be carried back against net profits of any prior year. The portion of a net operating loss sustained shall be allocated to Bedford in the same manner as provided herein for allocating net profits.

The Net Operating Loss of a business which loses its identity through merger, consolidation, etc. shall be allowed as a loss carry-forward deduction to the surviving business entity to the extent permitted by the Internal Revenue Code.

WHEN TO FILE: On or before April 30th following the close of the calendar year. If the return is made for a fiscal year or any period less than a year, file within four (4) months from the end of the fiscal year or other period.

WHERE TO FILE: Forms must be filed at the tax department. The City of Bedford, P.O. Box 75595, Cleveland, Ohio 44101-4755.

EXTENSIONS OF TIME TO FILE: for good cause may be granted by the Administrator, **MAKE WRITTEN REQUEST ON OR BEFORE THE DUE DATE**, stating reason.

ROUNDING OFF TO WHOLE DOLLARS is permitted. Eliminate any amount less than fifty cents and increase any amount from fifty cents through ninety-nine cents to the next higher dollar.

PENALTIES AND INTEREST are imposed for failure to file a return or pay the tax due on or before the due date. Penalty - \$25.00 and interest - 1 1/2% per month.

SPECIFIC INSTRUCTIONS

HEADING - Print your company name, address, federal identification number plainly, or make needed corrections if already imprinted.

LINE 1 - Place here your total taxable income as shown on your federal form or schedule attached, 1065 Filers use amount shown as ordinary income.

LINES (2A), (2B), AND (2C) - are used to make adjustments when Line 1 includes income not taxable and/or items not deductible for municipal tax purposes. Schedule X is used to reconcile income as used for federal purposes by subtracting such income items that are not taxable for municipal purposes and adding back deductions used for federal purposes which are not allowable for city purposes. Enter the amounts of any such items in Schedule X, and carry the totals of Schedule X. Lines (G) and (R) respectively to Lines (2A) and (2B). The difference between Lines (2A) and (2B) is to be entered on Line (2C). Also see instructions for Schedule X.

LINE (3A) - is the result of Line 1 plus Line (2A) less Line (2B)

LINE (3B) - The income tax ordinance recites a formula (Schedule Y) to determine the percentage of income attributable to Bedford by business entities conducting business activity both within and outside Bedford. If Schedule Y is used, bring the average percentage from Line 5 of Schedule Y to the % line of Line (3B). Multiply Line (3A) by this percentage and enter the result on Line (3B).

LINE (3C) - Business entities may carry operating losses forward for a maximum period of five (5) years or until exhausted whichever is earlier. No portion of a net operating loss shall be carried back against net profits of any prior year. Taxpayers doing business both in and outside of Bedford who allocate profits via Schedule Y must also allocate losses accordingly. A worksheet or schedule is required to support an operating loss claimed on the return.

LINE 4 - is the result of Line (3B) less Line (3C).

LINE 5 - Enter here tax liability for income shown on Line 4.

LINE (6A) - Enter here estimate payments made to Bedford for this taxable year.

LINE (6B) - Enter credit from prior year(s) (overpayment you indicated on the prior return to be credited against this year's tax).

LINE (6C) - is the total of Lines (6A) and (6B).

LINE (7A) - If Line 5 is greater than Line (6C) the difference should be entered here.

Remittance in this amount must accompany the return when filed. If this amount is less than \$2, you do not have to pay.

LINE (7B) - If Line (6C) is greater than Line 5 the difference should be entered here. This amount will be transferred as a credit towards next year's tax unless you request a refund. Refunds of less than \$2 are not made.

SCHEDULE INSTRUCTIONS

Reconciliation with Federal Income Tax Return

SCHEDULE X

is used for the purpose of making adjustments when total income (Line 1) includes income not taxable and/or items not deductible for municipal purposes. Enter the amounts of any such items in Schedule X and carry totals (Line G and Line R) respectively to Lines (2A) and (2B). Line A - Capital losses from the sale, exchange or other disposition of property shall not be taken into consideration in arriving at net profits earned. Line B - if you have deducted non-taxable (Line R); expenses attributable to this non-taxable income shall not be allowed as a deduction from the remaining taxable income. Line C - would include federal, state, local and other taxes based on income.

SPECIAL NOTE: Corporations are only entitled to a Franchise Deduction Tax Deduction.

Based on equity. The difference between the equity method and income method should be recorded on Line C.

LINE N - Capital gains from the sale, exchange or other disposition of property shall not be taken into consideration in arriving at net profits earned. However, refer to Schedule D instructions, Line Q - would include items listed in the general instructions as Federal Income Not Taxable, as well as compensation or like reimbursement for damages (except for loss of profits). Involuntary conversion, cancellation of indebtedness, income of a decedent's income already taxable by the State of Ohio from which Bedford specifically prohibited from taxing and income which is prohibited from taxation by the Constitution on the United States and State of Ohio or any Act of Congress or the Ohio General Assembly.

Business Allocation Formula

SCHEDULE Y

A business allocation formula consisting of the average of property, gross receipts and wages paid, may be used by business entities not required to pay tax on entire net profits, by reason of doing business both within and without Bedford. However, if the books and records of the taxpayers shall disclose with reasonable accuracy the net profit attributable to Bedford then only this portion shall be considered as having a taxable status in Bedford.

SPECIAL NOTE: Sales and gross receipts in Bedford (Step 3) mean;

1. All sales of tangible personal property which is shipped from Bedford to purchasers outside of Bedford regardless of where title passes if the taxpayer is not, through its own employees, regularly engaged in the solicitation or promotion of sales at the place where delivery is made.

2. All sales of tangible personal property which is delivered within Bedford regardless of where title passes, even though transported from a point outside Bedford, if the taxpayer is regularly engaged through its own employees in the solicitation and the sales result from such solicitation or promotion.

3. All sales of tangible personal property which is delivered within Bedford regardless of where title passes, if shipped or delivered from a stock of goods with Bedford.

SCHEDULE Y BUSINESS ALLOCATION FORMULA (See Instruction)

	A. Located Everywhere	B. Located in Bedford	C. Percentage (B / A)
Step 1	Average value of real and tangible personal property	\$	\$
	Gross annual rentals multiplied by 8	\$	\$
	Total step 1	\$	\$
Step 2	Total wages, salaries, commissions and other compensation of all employees	\$	\$ %
Step 3	Gross receipts from sales and work or services performed (See Instructions)	\$	\$ %
Step 4	Total percentages %
Step 5	Average percentage (Divide total percentages by number of percentages used - enter on line 3B, Page 1) %